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PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING: REVIEW OF IMPORTANT CURRENT DEVELOPMENTS AT THE GLOBAL LEVEL IN THE FIELD OF ACCOUNTING AND REPORTING BY TRANSNATIONAL CORPORATIONS

Review of important current developments at the global level in the field of accounting and reporting by transnational corporations

Report of the Secretary-General

SUMMARY

The purpose of this report is to review developments which promote the harmonization of accounting standards world wide and the comparability of financial statements. Vigorous efforts are under way to reduce the options in international standards and to increase their use by the regulators of securities markets and international trade. At the same time, authorities in Central and Eastern Europe are rewriting their commercial legislation, including accounting regulations, to promote the development of market economies. Thus, one could optimistically expect significant gains in harmonization during the 1990s. The report also examines certain problem areas where appropriate standards have yet to be formulated: new financial instruments, intangibles and green accounting. Lastly, the activities of international and regional bodies active in the field are summarized.

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INTRODUCTION

1. This global issues report is divided into three sections. In the first section efforts to harmonize accounting standards are discussed. Among them are the comparability project of the International Accounting Standards Committee and the creation of two new groups to study capital and harmonization issues and new commercial legislation in Central and Eastern Europe. In the second section, developments in certain key issues in international accounting are examined, including new financial instruments, intangibles and environmental accounting. In the last section the activities of international and regional organizations active in the field of harmonization are reviewed.

I. MAJOR EFFORTS TO HARMONIZE ACCOUNTING AND REPORTING STANDARDS

A. International Accounting Standards Committee ED 32

2. At the present moment it is apparent that there is a certain momentum behind efforts to improve the comparability of financial statements. The International Accounting Standards Committee (IASC) and the International Organization of Securities and Exchange Commissions (IOSCO) have joined forces to reduce the options in international accounting standards and thus to increase the transparency of financial statements. Put more accurately, the IASC is under pressure from regulators who want comparable and unambiguous rules for the preparers of financial statements. They see this as a way to promote cross-border security offerings and the globalization of capital markets. At the same time the European Commission has decided to participate on a regular basis in the activities of IASC as one method of furthering its work on harmonization. In a last-minute development in the Uruguay Round, it was proposed that an accounting annex be added to the General Agreement on Trade and Services (GATS). Much of the initiative in promoting the annex was undertaken by the Federation des experts comptables europeens (FEE). The annex advocates mutual recognition agreements for accountants and auditors according to the guidelines of the International Federation of Accountants (IFAC). Furthermore, signatories would agree to use international standards for resolving disputes and would have to accept, for regulatory purposes, all financial statements prepared using such standards. The use of the standards would facilitate expansion of trade in accounting services by removing barriers caused by different national accounting requirements. At this time, it appears unlikely that there will be an accounting annex and that, if it should be added, it would contain only the mutual recognition requirement if and when GATS is concluded.

3. In addition, various national groups responsible for standard-setting are now giving more active support to the efforts of IASC. This is indeed a favourable development because the preservation of national practices has been identified by a number of experts as one of the main obstacles to harmonization (Choi, 1990; Walsh, 1990).

4. The IASC project, ED 32, Comparability of Financial Statements, is now over two years old and considerable progress has been made. ED 32 originally dealt with 29 accounting issues where proposals were made to eliminate a free choice of accounting methods and to identify a required or a preferred method (see the table). In some cases, however, ED 32 permitted the retention of more than one accounting treatment where one was identified as the "preferred" and the other as the "allowed alternative". ED 32 proposed originally that enterprises using the alternative treatment in their financial statements should reconcile their reported net income and shareholders' interest to those amounts determined using the preferred treatment.

5. IASC received over 160 comment letters on the proposals in ED 32 and they were virtually unanimous in supporting the objective of greater comparability of financial statements and, hence, the project and the exposure draft as a whole. After reviewing the comments, the IASC Board decided that 21 of the 29 proposals in ED 32 should be incorporated in revised standards; that three proposals (inventory costs, development costs and borrowing costs) should be re-exposed; and that five proposals should be deferred pending further work on the new financial instruments project (see the table).

6. Since a substantial number of the comment letters indicated disagreement with the proposed reconciliation requirement between preferred and alternative treatments, the Board dropped the requirement. In the summary of responses to ED 32 it is stated that "many respondents feel that this requirement would prove unduly burdensome or cause costs out of proportion to the likely benefit for users". However, no further indication is given as to the nature of the costs involved or evidence as to the extent to which costs outweigh the benefits. Some members of the Consultative Group of IASC have expressed their disappointment with the deletion since it lessens the impact of the project and it is certainly not going to help users better understand the accounts.

7. The Board later decided, that while it would not require a reconciliation, it would encourage enterprises to publish such a reconciliation as part of their financial statements. It would also support the efforts of IOSCO to encourage individual securities regulators to require foreign issuers to reconcile their financial statements, where a choice remains, to the benchmark treatments in International Accounting Standards. If IOSCO is going to ultimately require reconciliations to the IASC benchmark treatment, they could be required in the first place. Foreign companies listed in the United States are currently required to provide reconciliations to United States GAAP. Many foreign issuers are asked, on a case-by-case basis, to provide reconciliations in European markets. In other words, reconciliation is already practised. Furthermore, it is a widespread practice of transnational corporations to reconcile the financial statements of foreign affiliates or any other enterprise in which they are interested.

8. The Board also replaced the term "preferred" by the term "benchmark" since it more closely reflected the Board's intention of identifying a point of reference when making its choice among alternatives.

Table. Proposals for the comparability of financial statements

IAS	Issues	Proposals			Status
		Preferred	Alternative	Eliminated	12/90
2	Assignment of cost to inventories	FIFO and Weighted Average Cost formulas		Base Stock formula	Re-exposed
8	Correction of fundamental errors and omissions and adjustments resulting from accounting policy changes	Adjust opening retained earnings Amend comparative information	Include in income of the current period Present amended pro forma comparative information		Incorporated
9	Recognition of development costs		Recognize as assets when they meet specified criteria		Re-exposed
11	Recognition of revenue and net income on construction contracts	Percentage of completion method When the conditions for profit recognition are not met, recognize revenue to the extent of related costs		Completed contract method	Incorporated
16	Measurement of property, plant equipment	Measure at cost	Measure at revalued amounts		Incorporated

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IAS	Issues	Proposals			Status
		Preferred	Alternative	Eliminated	12/90
16	Measurement of property, plant and equipment adquired in exchange for another asset	Fair value for dissimilar assets acquired Net carrying amount of asset given up for similar assets acquired		Net carrying amount of asset given up for dissimilar assets acquired Fair value for similar assets acquired	Incorporated
16	Recognition of a revaluation increase relating to a revaluation decrease previously charged to income	Recognize in income of the current period		Recognize in share-holders' interests	Incorporated
17	Recognition of finance income on finance leases by a lessor	Net investment method for finance leases other than leveraged leases Net cash investment method for leveraged leases		Net cash investment method for finance leases other than leveraged leases Net investment method for leveraged leases	Deferred
18	Recognition of revenue on transactions involving the rendering of services	Percentage of completion method		Completed contract method	Incorporated
19	Determining the cost of retirement benefits	Accrued benefit valuation methods	Projected benefit valuation methods		Incorporated

IAS	Issues	Proposals			Status
		Preferred	Alternative	Eliminated	12/90
19	Use of projected salaries in determining the cost of retirement benefits	Incorporate an assumption about projected salaries		Do not incorporate an assumption about projected salaries	Incorporated
19	Recognition of past service costs, experience adjustments and the effects of changes in actuarial assumptions	Recognize systematically over a period approximating the average of the expected remaining working lives of participating employees		Recognize in income of the current period as they arise	Incorporated
21	Recognition of foreign exchange gains and losses on long-term monetary items	Recognize in income of the current period unless hedged		Defer and recognize in income of current and future periods	Incorporated
21	Recognition of foreign exchange losses on the acquisition of an asset that result from a severe devaluation against which there is no practical means of hedging	Recognize in income of the current period	Recognize as part of cost of the asset		Incorporated
21	Exchange rate for use in translating income statement items of foreign entities	Exchange rates at the dates of the transactions (or average rate)		Closing exchange rates	Incorporated

IAS	Issues	Proposals			Status
		Preferred	Alternative	Eliminated	12/90
21	Treatment of differences on income statement items translated at other than the closing rate	Recognize in share-holders' interests		Recognize in income of the current period	Incorporated
21	Subsidiaries operating in hyperinflationary economies	Restate financial statements in accordance with IAS, Financial Reporting in Hyper-inflationary Economies, before translation		Translate financial statements without prior restatement	Incorporated
21	Treatment of exchange differences on foreign operations integral to those of the parent	Recognize in income of the period unless hedged	Recognize as part of the cost of an asset when they result from a severe devaluation against which there is no practical means of hedging	Defer and recognize in income of current and future periods	Incorporated
22	Accounting for business combinations	Purchase for acquisitions Pooling of interests method for uniting of interests		Purchase method for uniting of interests	Incorporated

IAS	Issues	Proposals			Status
		Preferred	Alternative	Eliminated	12/90
22	Treatment of positive goodwill	Recognize as an asset and amortize to income on a systematic basis over its useful life.		Adjust immediately to shareholders' interests	Incorporated
22	Treatment of negative goodwill	Allocate over individual non-monetary assets. After such an allocation, if negative goodwill remains, treat as deferred income and recognize on a systematic basis as for positive goodwill	Treat as deferred income and recognize in income on a systematic basis as for positive goodwill	Adjust immediately to shareholders' interests	Incorporated
22	Measurement of minority interest arising on a business combination	Measure at pre-acquisition carrying amounts	Measure at post-acquisition fair values		Incorporated
23	Recognition of borrowing costs		Recognize as part of the cost of an asset if it takes a substantial period of time to get it ready for its intended use or sale		Re-exposed

IAS	Issues	Proposals			Status
		Preferred	Alternative	Eliminated	12/90
25	Measurement of long-term investments	Measure at cost	Measure at revalued amounts		Deferred
25	Measurement of marketable equity securities held as long-term investments	Measure at cost recognizing declines in value that are other than temporary on an individual investment basis	Measure at revalued amounts	Measure at the lower of cost and market value on a portfolio basis	Deferred
25	Management of investment properties	Measure at cost with depreciation	Measure at revalued amounts	Measure at cost without depreciation	Deferred
25	Measurement of current investments	Measure at market value	Measure at the lower of cost and market value on an individual investment basis	Measure at the lower of cost and market value on a portfolio basis	Deferred
25	Recognition of increases and decreases in market values of current investments	Recognize in income of the current period		Recognize in revaluation surplus	Deferred
25	Recognition of a realized gain previously recognized in revaluation surplus	Transfer to retained earnings		Recognize in income of the current period	Deferred

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9. The Board recognized it was both impossible and inappropriate to remove the choice between historical cost and revaluation-based carrying amounts for property, plant and equipment and some investments. Thus the tension between historical cost and current value base systems continues. This leads to some inconsistencies and difficulties. The Consultative Group wondered whether the Board should not adopt a more systematic, positive, and progressive approach whereby it would require historical cost as the preferred treatment but permit a current valuation approach as an alternative wherever appropriate subject, as a matter of principle, to a reconciliation to historical costs. This has already been done in the EC Fourth Directive. Such an approach would spur evolution towards improved practice and would be more informative for users. In this context it is unfortunate that IASC is dropping the LIFO method for valuing inventories since it is consistent with the current valuation approach. Another controversial issue, accounting for goodwill, will be discussed in a subsequent section.

10. IASC is also undertaking an "improvements" project to ensure that its standards are sufficiently detailed and complete and contain adequate disclosure requirements to meet the needs of international capital markets and the international business community. Among the improvements envisaged are:

(a) Begin each revised standard with a clear statement of its objectives;

(b) Conform the terminology in each standard to the conceptual framework;

(c) Ensure that the content of each standard is consistent with other standards; and

(d) Standardize the definitions of terms and develop a glossary of terms.

B. International capital markets group

11. The Federation internationale des bourses de valeurs, the International Federation of Accountants, and the International Bar Association Section on Business Law have agreed to co-operate with each other in studying aspects of the world capital markets. The three organizations were drawn together by the fact that each has an interest in the well-being of the world markets. Their co-operation will have the following purposes:

(a) To consider developments within their areas of concern in the world capital markets, proposals for regulation and in general matters which affect opportunities for transnational investment and transnational acquisition of capital;

(b) To promote investor confidence internationally and the enhancement of investor protection;

(c) To comment when they deem appropriate on their activities and conclusions; and

(d) To take other actions which they may think beneficial to their purposes.

12. The output of the group is intended to encourage public discussion of matters relating to the world capital markets from a private sector perspective.

13. The group is undertaking three trial projects:

(a) International accounting standards. The objective is to focus attention on the need for more comparability in financial statements. An initial goal is to obtain an appreciation of what the real barriers are to achieving harmonization among the principal commercial countries;

(b) International regulatory problems. The objective is to encourage discussion of possible solutions to the regulatory problems. Two papers have been produced: an inventory of regulatory issues; and an analysis of alternative solutions. A third paper which is intended to focus the discussions and recommendations is being prepared, and a discussion draft is available;

(c) International takeovers and business combinations. The objective is to direct attention to the effect present rules have on cross-border transactions. A paper has been prepared which compares the relevant legal and other regulations of the principal commercial countries and notes that some of the differences result from deep-seated national interests. An object of the paper is to encourage public discussion of the priorities involved. To what extent should the need to facilitate international capital flows be given precedence over the national interests which caused the differences?

C. Creation of a European accounting forum

14. The European Commission has decided to organize a European accounting forum in addition to its regular contact group in order to advise the Commission on future steps to improve the comparability of financial information.

15. National standard-setting bodies of member States, European organizations representing the main users and preparers of accounts and the European accounting profession have been invited to designate a member to sit on the forum. The forum will advise the Commission on technical solutions for accounting problems which have not yet been the subject of harmonization directives at the Community level and guide the Commission on the position to be defended in the discussions about harmonization of accounting standards at an international level. The first meeting of the forum will take place on 14 and 15 January 1991. On the agenda are: foreign currency translation, accounting for Government grants, and the relationship between the International Accounting Standards and the EC accounting directives.

D. Changes in commercial legislation in Central and Eastern Europe

16. Perhaps there has been no greater force for the harmonization of accounting practices than the opening up of Central and Eastern Europe to foreign direct investment. By and large, these countries are either modifying or canceling their existing commercial legislation (including accounting regulations) and new adopting ones suitable for market economies. In the transition, almost all countries have drafted and/or enacted new commercial legislation which contains company laws, foreign-direct-investment rules, accounting regulations, and privatization rules. All countries (with the exception of Albania) had previously enacted legislation promoting foreign direct investment, usually in the form of joint ventures. By October 1990, the total number of joint ventures and foreign direct investments exceeded 6,800. The present reforms go beyond joint ventures and apply to all forms of enterprises.

(a) Albania: Decree No. 7406 on the Protection of Foreign Investment in PSRA; Decree No. 7407 on the Economic Activity of Enterprises with the participation of Foreign Capital in PSRA, 31 July 1990;

(b) Bulgaria: Decree No. 56 Implementation of All Economic Activities, 9 January 1989;

(c) Czech & Slovak Federal Republic: Act No. 173, Act on Enterprises, 1988; amended April 1990;

(d) Hungary: Decree No.128/1972 on Economic Associations with Foreign Participation; Act VI 1988 on Economic Associations (Company Law); Act XXIV 1988 on Investments of Foreigners; Act XIII 1989 on Transformation of Business Organizations and Associations; Act VI 1990 on Securities and the Stock Exchange;

(e) Poland: Law of April 26 1986 on Foreign Direct Investment in state-owned enterprises, cooperatives, joint ventures; amended in November 1988;

(f) Romania: Decree No. 424 on the Operation of Joint Companies, 2 November 1972; superseded by Decree No. 96, 14 March 1990;

(g) USSR: Act No. 49 of the Council of Ministers on the Establishment of Joint Ventures, 13 January 1987; Presidential Decree on Foreign Investment in the USSR, 26 October 1990.

17. Most countries in Central and Eastern Europe intend to move to market economies by changing the system of ownership through privatization, freeing prices and eliminating government subsidies. Some of these reforms require substantial changes in the reform of the legal system. It is safe to say that any accounting reforms will take place through the cancellation of old regulations and the issuance of new laws. The current accounting regulations served the objectives of the centrally planned economy by ensuring control, monitoring plan realization and protecting the means of production. They required a high degree of standardization. Furthermore, financial accounting was a part of the economic

information system and financial statements were for the use of government authorities. New accounting rules must meet the new needs of the main users. The transition to a market economy requires the modernization of accounting practices. Without a proper accounting system, enterprise managers, as well as investors and the public, are in no position to evaluate business performance. The development of an accounting system for a market economy is, therefore, one of the major tasks in the transition process. Many of these countries are planning to use the EC directives as a starting point for their reforms since, as one Eastern official stated, they represent the lowest common denominator. However, European directives do not provide for a complete set of accounting standards and will have to be supplemented.

18. At the same time Eastern officials are reluctant to abolish certain advantages of their system such as the link between micro information (enterprise accounts) and macro information (national accounts). The uniform system of accounting served many government departments: the planning office, finance ministry, national bank and statistical office. The central statistical offices used enterprise data from the balance sheets to calculate net material product. Therefore, some are considering adopting western uniform accounts such as the French plan comptable or are modernizing their chart of accounts according to international standards. Although there will be a change in the structure of information and a reduction in its amount, a uniform chart of accounts will be maintained by some countries.

19. International concepts will be introduced such as accrual accounting, going concern, substance over form, consistency and historical costs. New items such as intangibles will also be introduced.

20. During the course of the transition much advice has been sought by Eastern European accounting experts. A number of national accounting bodies, regional bodies, international bodies and international accounting firms have responded to these requests by not always in a co-ordinated manner. At times, Eastern experts have been confronted with a bewildering array of choices and the urgency of their situation does not allow them to carefully evaluate all the options. It is too soon to report on the various technical assistance efforts and their results. However, the Group may wish to be brought up to date (as far as possible) on one effort which resulted directly from its work.

21. The United Nations Centre on Transnational Corporations and the USSR Chamber of Commerce organized a workshop in June 1989 called "Accounting for and by East/West joint ventures in centrally planned economies". It brought together over 150 people from government, joint ventures, international accounting firms and academia for the first public discussion of accounting regulations; explored ways to improve comparability; and discussed the need for accounting education and training. The exchange was facilitated by the fact that many of the Group's documents were available in Russian. The participants benefited in particular from Objectives and Concepts Underlying Financial Statements. Following these discussions, the Ministry of Finance, at its executive level, considered the most pressing problems and their solutions. Subsequently, the Ministry issued new instructions for accounting for certain items.

22. To assist the Ministry of Finance in the improvement of existing accounting regulations, the Workshop recommended, inter alia, the creation of an international task force. The Task Force began its work with a first meeting in June 1990 under the co-chairmanship of the Ministry of Finance and UNCTC. Its members consist of representatives of the Ministry of Finance, A/O Inaudit, other Soviet government agencies, Soviet joint ventures, UNCTC, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting and international accounting firms. The Task Force had before it the background document, Joint Venture Accounting in the USSR: Direction for Change, in English and Russian, which enabled it immediately to come to grips with its assignment.

23. The Task Force has embarked on the modernization of accounting regulations in the USSR; in the first instance for joint ventures, but with a view towards making the new system applicable to other firms as well. Rather than surveying a number of national accounting standards, the Task Force is examining the extent to which internationally accepted accounting standards can be used to modernize Soviet practices. The Soviet chart of accounts is being modified to reflect international accounting concepts and practices. The first draft has been circulated for comments and is being revised. The final draft will be submitted to the Methodological Council, the 15 republics and the Council of Ministers for approval. In addition to the chart of accounts, model financial statements are being designed. The Task Force should complete its work by June 1991. The modernization of the Soviet accounting system requires that accounting professionals, both practitioners and academics, be retrained and that accounting curricula be overhauled. The UNCTC together with Soviet educational institutions and the international accounting firms have developed a programme to meet these needs in the short-term.

24. Privatization raises a number of problems including accounting problems. First, there is the legal problem of who owns the property and who can sell it. There is also the economic problem of how the selling price is to be established in the absence of a well-developed buyers' market or a stock market. There are a number of methods of establishing the value of the enterprise such as replacement costs, discounted cash flows and auction prices. Poland plans to privatize 400 firms; the Czech and Slovak Federal Republic, 40 per cent of its economy in two stages. Hungary plans to privatize 50 per cent of its economy. Twenty state-owned enterprises have been put up for sale by the Hungarian State Property Agency and another list of enterprises will be published shortly. The speed and size of these privatization programmes will surpass anything that was done by the United Kingdom and France, both of which had well-developed capital markets.

25. Some lessons can be learned from the former German Democratic Republic regarding accounting issues. Enterprises in the former Republic had to present opening DM balance sheets on 31 October 1990 according to the Act Governing the Opening Balance Sheet. It required full business accounts, including an opening balance sheet and notes on the position as of 1 July 1990. The assets and liabilities were to be revalued and such valuations are to be regarded in the future as acquisition costs. The revaluations were to be based on replacement or reproduction costs. Assets were not to be fixed at levels above current market values. The revaluation also took into account wear and tear and shortfalls in

technology as well as waste disposal, repair and maintenance work. The useful life can be reassessed at a later date. The law also allows the capitalization of intangible assets. The opening balance sheets will remain provisional for a certain period and may be changed up to 1994.

II. KEY ISSUES IN INTERNATIONAL ACCOUNTING

A. New financial instruments

26. At both the seventh and eighth sessions the Group reviewed the issues surrounding the proliferation and use of new financial instruments. As was stated in E/C.10/AC.3/1990/2, enterprises need to improve disclosure in three areas: the volume of their transactions or commitments involving NFIs, their degree of exposure to risk and the accounting practices they use.

27. While the Basle Committee has established rules for measuring risk for balance sheet items and non-balance sheet items, there are still no international standards establishing accounting and reporting requirements. The IASC and the OECD continued to study the issue at the international level while France, the United Kingdom and the United States have issued guidance or exposure drafts on information disclosure regarding off-balance sheet risks and financial instruments.

28. The joint project of the IASC and the Canadian Institute of Chartered Accountants drafted a statement of principles as a first step which was approved subsequently by the IASC Board. The principles will result in a standard which will provide a framework in developing appropriate accounting policies for existing financial instruments and new variations. The statement deals with:

(a) The recognition of financial assets and liabilities;

(b) Classification as a liability or as equity;

(c) Offsetting and de-recognition of financial assets and liabilities;

(d) Measurement;

(e) Disclosure.

The statement distinguished trading instruments from investing and financing instruments. It proposed that financial assets and liabilities of a trading nature should be measured and reported at fair value. Other instruments should be measured and reported at amounts which are based on their historical costs. The Board directed the Steering Committee to develop two alternative approaches: a benchmark where financial assets and liabilities are measured at historical cost and an allowed alternative where they could be measured at fair value; a benchmark where financial assets and liabilities are measured at fair value and an allowed alternative where they could be measured at historical cost.

29. The IASC adopted IAS 30, Disclosure in the Financial Statements of Banks and Similar Financial Institutions. Its requirements will enhance the transparency of banks which are traditionally secretive. The standard emphasizes that off-balance sheet items must be reported if users are to assess the performance, liquidity, solvency and risks involved.

30. In the income statement, banks are required to disclose amounts and the principal types of income and expenses. In the balance sheet, offsetting assets and liabilities is not permitted. A safeguard against hidden reserves is given by the requirement for the disclosure of the market value of dealing securities and marketable investment securities.

31. It is interesting to note that in the wake of the United States thrift industry collapse, the Chairman of the Securities and Exchange Commission (SEC) called for accounting authorities to impose market valuation of securities on United States financial institutions. The Chief Accountant stated that accounting experts failed to question the historical cost model, a methodology repeatedly proven to be irrelevant to valuing the investment portfolios of financial institutions. In the recent round of collapses, many institutions disguised their insolvency by valuing mortgage portfolios at cost rather than actual value.

32. The OECD completed work on its report on new financial instruments and it was approved by its Working Group on Accounting Standards in September 1990. It will be published in the bilingual series "Accounting Standards Harmonization". The Group stressed the urgency of developing internationally harmonized approaches to disclosure and accounting for new financial instruments in view of the rapid development of financial innovation. The Guidelines for Multinational Enterprises (1976) contain a chapter on information disclosure which lists items recommended to be covered in the published reports of multinational enterprises. When the list was drafted, new financial instruments, especially off-balance sheet instruments, were not as prevalent or as complex as they are today. Taking into consideration the risks presently incurred by banks and non-banks, financial instruments now appear to be items which require special attention and specific disclosure. Nevertheless, the Working Group felt that the Guidelines were comprehensive and flexible enough to deal with the disclosure and accounting issues arising from new financial instruments. They reasoned that the list is illustrative and non-exclusive, therefore it covers disclosure of significant off-balance sheet risks associated with new financial instruments.

B. Accounting for intangible assets, including goodwill

33. In 1990, problems relating to the accounting treatment of intangibles, including goodwill, brands, trade marks, patents, research and development, computer software, and so on, remained unresolved and controversial. The issue of intangibles was highlighted in the 1980s by a number of major factors such as international mergers, the pursuit of global market leadership, the world-wide expansion of the services sector, the impact of technological change, and the growing sophistication and integration of financial markets internationally (see E/C.10/AC.3/1990/9). While these factors are continuing influences, more recently,

the dramatic moves to a market economy in the USSR and Central Europe have also raised important questions about the valuation of intangibles. Further, with the onset of economic recession in many countries and world-wide concern about the banking system and international trade, the problems of accounting for intangibles have not diminished. On the contrary, the importance of relevant and timely financial information in a rapidly changing economic environment has been emphasized. The valuation of intangibles as well as tangible assets is an issue of critical importance in times of increased uncertainty but in the case of intangibles, this becomes even more pressing in view of the greater degree of judgment involved in terms of both asset recognition and measurement.

34. Thus, the issue of accounting for goodwill continues to be controversial. The IASC, in its statement of intent (July 1990) on comparability of financial statements, reiterated its E 32 proposal to amend IAS 22 on accounting for business combinations to require a uniform treatment of purchased goodwill. This would require all companies to recognize goodwill as an asset which should be amortized to income on a systematic basis over its useful economic life. The amortization period should not exceed 20 years. The method of immediately writing off goodwill against equity has been eliminated as an acceptable alternative.

35. In Europe, there is substantial opposition to the IASC proposals from transnational corporations with the issues involved being extensively debated among standard-setters and other interested parties. While the European Community in its Seventh Directive is flexible on this question permitting either the systematic amortization of goodwill or its immediate write off against equity, the trend has been for transnational corporations, especially in France, Germany, the Netherlands and the United Kingdom, to use the immediate write-off method.

36. At the national level, however, there has been concern by standard-setters in some countries, notably the United Kingdom, to limit the freedom of choice available and to support the IASC at least to some extent. Although company law in the United Kingdom is flexible, the Accounting Standards Committee (now the Accounting Standards Board) has issued ED 47 (February 1990) on accounting for goodwill, which proposes to restrict practice to the systematic amortization method only. Useful economic life would not be permitted to exceed 20 years, except in rare circumstances subject to a maximum period of 40 years. This proposal has generated a substantial debate and has aroused concerted opposition from company finance directors. It remains to be seen how the new Accounting Standards Board will deal with this problem.

37. In Japan and the United States, on the other hand, there would seem to be majority support for the IASC proposals though in the Unites States, the FASB requirements under APB 17 permit a maximum period of amortization of 40 years compared to the IASC's proposed 20 years. In the United States, it is noteworthy that there is particular interest in encouraging European compliance with the IASC's proposals in view of the alleged competitive disadvantage experienced by United States companies as a result of having to report lower earnings than United Kingdom companies in the context of mergers and acquisitions activity and the market for corporate control.

38. Closely associated with goodwill is the problem of accounting for brand names, trade marks, patents, franchises, publishing titles and so on. This continues to be a controversial issue (see, for example, Egginton, 1990). While the IASC is currently working on a draft statement of principles governing intangible fixed assets, standard-setters in Australia and the United Kingdom, where the debate seems to be most focussed, have issued proposals on the subject.

39. In the United Kingdom, the most recent proposal was issued by Accounting Standards Committee in its ED 52 (May 1990) on accounting for intangible fixed assets. Recognition criteria are proposed which emphasize that the characteristics and costs of intangible assets should be identifiable independently of goodwill and that in the case of acquired assets the existence of an active market in the assets concerned should be independent of the businesses or business segments involved. Where intangible assets are identifiable, it is proposed that they should be deemed to have a finite useful economic life and amortized over a period not exceeding 20 years except in rare circumstances subject to a maximum period of 40 years. This proposed treatment is consistent with that proposed for goodwill and the response has been similarly negative from transnational corporations especially those in service businesses such as food and drink, advertising and publishing. Indeed, the trend has been for more transnational corporations to incorporate brand valuations in their balance sheets (e.g., Cadbury Schweppes in the United Kingdom), and the amortization approach is being strongly resisted. Especially controversial is the view that intangibles should be assumed to have finite useful economic life. In contrast, annual revaluations based on an assessment of economic or current values tend to be favoured with book values to be written down only when in the necessary rather than amortized on an arbitrary basis. In the context of the recent downturn in the world economy, some write-down of brand valuations will no doubt be necessary.

40. In Australia, the Australian Accounting Research Foundation in its ED 49 (August 1989) on accounting for identifiable intangible assets has proposed an approach similar to the more recent United Kingdom proposals but has indicated a maximum amortization period of 20 years consistent with its own requirements on the amortization of goodwill.

41. In the United States, it seems that while the issue of brands and similar intangibles has been the subject of recent debate (see, for example, King and Cook, 1990), there appear to have been no cases of corporations recognizing brands as separate items in their balance sheets similar to Australian and United Kingdom practice. Typically, the values of brand names are lumped in with other intangible assets and described as goodwill which under APB 17 must be amortized against earnings subject to a maximum period of 40 years.

42. The accounting treatment of research-and-development expenditure and related items such as computer software continues to pose problems. The IASC, in its statement of intent (July 1990) on comparability of financial statements, agreed to change its E 32 proposal whereby its preferred treatment was for all research and development expenditure to be expended immediately. The IASC now proposes to require that development costs must be capitalized when they meet criteria specified in IAS 9 and it is probable that these costs will be recovered. This

would seem to be a compromise between restrictive United States approach, whereby all costs are expensed immediately and the more flexible approach to capitalization evident in countries such as Canada, France, Malaysia, Nigeria and Switzerland. The United Nations Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting also adopts a more flexible approach consistent with the revised IASC proposals as does the European Community in its Fourth Directive on Company Accounts.

43. Accounting for intangible assets is a major issue of concern for the 1990s. While accounting standard-setters are beginning to address the problems involved there would seem to be a tendency to prefer arbitrary and uniform solutions in a search for relatively reliable and verifiable information. This approach is unlikely to be acceptable to corporations and financial statement users who tend to place more emphasis on relevant information despite the uncertainties involved. A more valuation-oriented and less conservative approach to the recognition and reporting of intangibles seems necessary and inevitable in today's dynamic business environment. Accountants need to face the intangibles issue head-on and develop a more innovative response to accounting for those assets which are so critical to business success.

C. Accounting for environmental protection measures

44. According to the World Economic Forum, 650 industrial leaders ranked environmental problems as the number one challenge facing business. Five oil companies booked $3 billion in special charges to provide for environmental problems in 1989. In its 1989 10-K form, a United States chemical company stated that it will spend $1.5 billion between 1990 and 1994 for environmental protection. These are a few examples to illustrate that new kinds of liabilities are being created or that the frequency and magnitude of some liabilities that were minor in the past may be increasing rapidly (Beresford, 1990a).

45. Currently, ISAR is the only international standard-setting body which has taken up this issue with the exception of the International Assets Valuation Standards Committee (TIAVSC). During 1989/90, it published a standard on the effect of environmental factors or pollution on the valuation of fixed assets for financial statements. Interest is also beginning to appear among accounting academics and accounting institutes. The Department of Accounting and Finance at the London School of Economics held a two-day workshop on green accounting, 9-10 December 1990. The participants discussed, among other things, a recent Coopers & Lybrand Deloitte survey of 108 finance directors in the United Kingdom regarding their opinions on environmental concerns. Eighty-seven per cent of the finance directors saw the environment as a significant issue for their business; 55 per cent believed it raised significant financial concerns but only 29 per cent of the enterprises had ever included environmental information in their annual report. Only 16 per cent conducted environmental audits covering the whole business. Inevitably, the 44 per cent who did not believe that environmental issues raised financial concerns will re-evaluate their responses given the march of legislation, consumer pressure and increasing costs, particularly, of dealing with wastes.

46. The Institute of Chartered Accountants in England and Wales has developed a research programme on measurement and other accounting issues related to the environment. It felt that further research was needed on the measurement of environmental costs to enable companies to improve the monitoring and measurement of their environmental performance. The Canadian Institute of Chartered Accountants has also approved a research project proposal to undertake some study of accounting for and reporting on environmental issues within the existing financial reporting framework. In discussing the need for the project they noted that little guidance can be found that covers environmental protection measures and that the demand for guidance is becoming increasingly urgent. The objective of the project is to discuss the information needs of various user groups relating to the impact of an entity's operations on the environment, and to develop proposals for consideration by the Accounting Standards Committee on accounting and reporting on environmental issues (past, present and those contemplated in the future) within the existing financial reporting framework. The study group will consider the desirability and practicality of providing the type of information set out in the report of the Secretary-General referred to above. It will also consider the auditing and legal implications of providing such information, together with any potential tax implications. The Accounting Standards Committee has also approved a proposal to review the recommendations in CICA Handbook section 3290, Contingencies, and improve standards for recognition, measurement and disclosure of contingencies including uninsured risks of future losses.

III. ACTIVITIES OF INTERNATIONAL AND REGIONAL ORGANIZATIONS

47. The following section is based on the submissions of the organizations themselves or on their annual reports.

A. International Accounting Standards Committee (IASC)

48. During the past year the IASC has finalized the following international accounting standards:

(a) International Accounting Standard 29, Financial Reporting in Hyperinflationary Economies;

(b) International Accounting Standard 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions; and

(c) International Accounting Standard 31, Financial Reporting of Interests in Joint Ventures;

(d) Framework for the Preparation and Presentation of Financial Statements.

49. The following issues are currently being considered by IASC:

(a) Comparability of financial statements - a project to eliminate most of the choices of accounting treatment for like transactions and events currently permitted under existing international accounting standards;

(b) Improvements to International accounting standards - a project to implement the changes agreed in the comparability project and to revise these standards to ensure that they are sufficiently detailed and complete and contain adequate disclosure requirements;

(c) Accounting for taxes on income - a review of International Accounting Standard 12, Accounting for Taxes on Income, in the light of current world-wide developments in the reporting of taxes and to eliminate the few choices in accounting treatment presently permitted by IAS 12;

(d) Financial instruments - to expand the scope of international accounting standards by developing a standard that deals with the recognition, measurement and disclosure of financial instruments in the financial statements of all enterprises. The project seeks to develop general principles that may be applied to a variety of financial instruments. The project is being carried out in conjunction with the Accounting Standards Committee of the Canadian Institute of Chartered Accountants; it is intended that the IASC and the Canadian ACSC will issue the same documents. A statement of principles has been approved by the IASC Board and will be issued in December 1990;

(e) Accounting for long-term intangible assets - to expand the scope of international accounting standards by developing a standard that deals with the recognition, measurement and disclosure of long-term intangible assets. The project takes account of recent developments in the reporting of intangibles in such countries as Australia, Canada, France, New Zealand and the United Kingdom as well as existing requirements in other countries around the world. This project is being carried out in conjunction with the Accounting Standards Committee of the United Kingdom and the Republic of Ireland. A statement of principles was approved by the Board and will be issued in December 1990 to member bodies for comment;

(f) Cash flow statements - to review IAS 7, Statement of Changes in Financial Position, in the light of world-wide developments in cash flow reporting and to consider the development of a standard on cash flow statements in place of IAS 7. This topic has been identified by the International Organization of Securities Commissions and Similar Agencies (IOSCO) as a gap in international accounting standards;

(g) Earning per share - to expand international accounting standards by the development of a standard on the disclosure and determination of earnings per share. This project is being undertaken at the suggestion of IOSCO and a number of IASC member bodies. It is being carried out in conjunction with the international financial analyst community;

(h) Development of accounting standards for developing and newly industrialized countries - a comprehensive review of the financial reporting needs of developing and newly industrialized countries with a view to making recommendations to the Board on the improvement and harmonization of regulations, accounting standards and procedures relating to the presentation of financial statements in such countries. The Board plans to consider the final report on this project in November 1991.

B. International Federation of Accountants

50. The Council of IFAC took the following decisions:

(a) Approved the report of the Bishop Working Party, "IFAC/IASC: Review of aims, effectiveness and organization";

(b) Agreed that the theme for the XIV World Congress of Accountants, to be held in Washington, D.C., from 11-14 October 1992 would be "Accountants' role in a global economy";

(c) Agreed that IFAC should sponsor the holding of a first International Accounting Technician Conference to which all accounting technician organizations from around the world would be invited.

51. The main recommendations of the Bishop report are as follows:

(a) The existing formal relationship between IASC and IFAC, as expressed in the Mutual Commitments Agreement, should be maintained;

(b) Separate IASC and IFAC secretariats should be maintained;

(c) IASC has sole responsibility and authority for setting international accounting standards;

(d) IASC's proposals for additional external funding are strongly supported;

(e) IASC should address non-business public sector issues;

(f) Change the way the IASC budget is shared between Board member organizations and the other member bodies of IFAC.

1. Planning Committee

52. The Planning Committee met once during the year. The meeting was devoted to consideration of matters affecting the future activities of IFAC and developing proposals to the Council on recommendations contained in the report of the Bishop Working Party, utilization of the money in the IFAC development fund, special projects, future issues topics and procedures for appointing a new Director-General of IFAC. As stated in the report of the Council, the Planning Committee has been disbanded.

2. Education Committee

53. The Education Committee met twice during the year. As a result of its meetings, the Committee approved the Guideline on the Impact of Information Technology on the Education and Training of Accountants, which Council has issued as Education Guideline No. 8, and continued the development of the following projects:

(a) Education of the Accountant in the Year 2000 - and Beyond;

(b) Teaching of Professional Ethics;

(c) Consolidation and update of the existing International Education Guidelines.

It continues to monitor developments in accounting professional education.

3. Ethics Committee

54. The Ethics Committee met twice during the year. The meetings were devoted to further developing the Guideline on Ethics for Professional Accountants, which the Council subsequently issued to replace the existing Statements of Guidance Nos. 1-11.

55. The Committee is also working on developing additional guidance on the independence of auditors involved with multinational securities filings. It continues to monitor ethical issues affecting the accounting profession in the light of changing economic and social conditions.

4. Financial and Management Accounting Committee

56. The Financial and Management Accounting Committee met twice during the year. As a result of these meetings, the Committee:

(a) Published International Management Accounting Practice No. 2: the Capital Expenditure Decision;

(b) Approved publication of International Management Accounting Practice No. 3: Foreign Currency Exposure and Risk Management;

(c) Approved distribution to the member bodies for their review and comment - proposed international management accounting practices on the cost of capital; management control of projects; and a discussion paper on multinational transfer pricing;

(d) Reviewed a draft paper dealing with the measurement and evaluation of corporate financial performance;

(e) Reviewed the point outline on a framework for financial management statements;

(f) Reviewed project proposals dealing with early warning systems; working capital management; and managing quality improvement;

(g) Discussed a glossary of management accounting terms; a proposed project on financial management of intangible assets; and management accounting topics for the 1992 World Congress;

(h) During the Dusseldorf meeting, the Committee held a round-table discussion on financial and management accounting issues with members of the FMAC Network of Senior Financial and Management Accounting Executives in Germany, representatives of the Institut der Wirtschaftsprufer, and a representative of the International Association of Financial Executives Institute.

57. The Committee continues to provide comment, as appropriate, on exposure drafts of international pronouncements and to seek from the members of the FMAC Network statements on the activities of the Committee.

5. International Auditing Practices Committee

58. The International Auditing Practices Committee met three times during the year. As a result, the Committee approved for issue:

(a) International Auditing Guideline 28, First Year Audit Engagements - Opening Balances;

(b) International Auditing Guideline 29, Assessments of Inherent and Control Risks and Their Impact on Substantive Procedures;

(c) International Related Services Guideline, Engagements to Perform Agreed-upon Procedures;

(d) International Related Guideline, Engagements to Compile Financial Information;

(e) Revisions to IAG 12, Analytical Procedures;

(f) Revised IAG 3, Basic Principles Governing an Audit;

(g) Revised IAG 6, Study and Evaluation of the Accounting System and Related Internal Controls in Connection with an Audit;

(h) International Statement on Auditing, The Audit of International Commercial Banks;

(i) Information booklet, Understanding Financial Statement Audits.

59. Other projects currently on the agenda of IAPC are:

(a) Reporting on comparative financial information;

(b) Illegal acts;

(c) Obtaining knowledge of the client's business;

(d) Audit of segmental financial information;

(e) Audit of long-term investments;

(f) Codification of IAGs;

(g) Auditor's responsibilities in connection with supplementary information;

(h) Auditor's relationship with management;

(i) Other subcommittees have been established to review certain IAGs for modification; monitor the activities of the Public Sector Committee; and liaise with the International Organization of Securities Commissions (IOSCO).

60. IAPC is currently working closely with representatives of IOSCO with the aim of obtaining the acceptance of the IAGs for the purposes of multinational offerings of securities and has already made significant progress in revising certain IAGs with this aim in mind.

6. Public Sector Committee

61. The Public Sector Committee met twice during the year. As a result of these meetings, the Committee:

(a) Approved publication of international public sector guidelines on financial reporting by government business enterprises and on the applicability of international auditing guidelines to audits of financial statements of government business enterprises;

(b) Approved for distribution to the member bodies and the Public Sector Network for their review and comment proposed monographs on financial reporting by national Governments and elements of financial statements of public sector entities;

(c) Reviewed drafts of documents dealing with reliance on the work of other auditors in government auditing; applicability of international auditing guidelines to all public sector audits of financial statements; and bibliography of public sector accounting and auditing material;

(d) Approved distribution of survey questionnaires to elicit opinions from member bodies, network members and individuals in the public sector on current financial reporting, accounting, auditing practices and related issues in their countries;

(e) Agreed to prepare project proposals on compliance standards and an accounting topic.

C. International Assets Valuation Standards Committee (TIAVSC)

62. The objective of TIAVSC is to formulate and publish valuation standards and procedural guidance on the valuation of assets for use in financial statements and to promote their world-wide acceptance and observance. Formed in 1981, it is supported by the professional bodies of all member countries, which now number 28.

63. Since 1981, TIAVSC has published guidance notes and background papers covering all aspects of asset valuation in an endeavor to harmonize standards world-wide and to ensure, as far as possible, that asset values conform to economic reality as at the date of valuation. The principal guidance notes cover the classification of fixed assets, the valuation of land and buildings, depreciation, plant and machinery and security for loans.

64. During 1989/90, TIAVSC have published the following additional standards on asset valuation practice:

(a) Glossary of international phrases;

(b) Glossary of key terms;

(c) Background paper on the valuation of rural assets;

(d) Effect of environmental factors or pollution on the valuation of fixed assets for financial statements.

65. Papers under consideration include the valuation of public-sector utilities and a general review/rewrite of all TIAVSC standards to also incorporate European and other national standards into a single document.

D. European Community

66. On 17 and 18 January 1990, the Commission of the European Communities held in Brussels the Conference on the Future of Harmonization of Accounting Standards in the European Community. Some 130 people participated, representing national administrations, the accounting profession and the main users and preparers of accounts, as well as IASC, OECD and ISAR. At the Conference, it was decided to set up an accounting advisory forum which could advise the Commission on future steps to be taken in order to improve the comparability of financial information published by companies within the Community as well as new issues and international developments in the area of accounting and financial reporting.

67. On the legislative front, work has continued on a directive concerning the annual accounts and consolidated accounts of insurance companies. It is expected that the directive will be adopted by the Council of Ministers during the first semester of 1991. On 8 November 1990, the Council adopted two directives which amend the scope of application of the accounting directives (O. J. No. L 317 of 16 November 1990). The first directive extends the scope of application of the accounting directives to certain partnerships. The second increases the accounting exemptions in favor of small and medium-sized companies and allows companies to publish their accounts in écus.

E. Organisation for Economic Co-operation and Development

68. In 1991, the OECD Working Group on Accounting Standards continued its work to promote increased international comparability of financial statements and the harmonization of accounting standards and to provide information on the accounting terms contained in the chapter on disclosure of information of the OECD Guidelines for Multinational Enterprises.

69. On 25-27 September 1990, the newly created OECD Centre for European Economies in Transition organized, in co-operation with the Working Group on Accounting Standards and the Federation des Experts Comptable Europeen, a seminar on East/West accounting issues. Experts from Czechoslovakia, Hungary, Poland and the USSR took part in the discussions, together with participants from the accounting and auditing professions, academics, the business and labour community and other international organizations active in this field.

70. A major purpose of the seminar was to identify the objectives and main elements of financial reporting in both Eastern and Western accounting systems, and to examine them in the context of the overall economic reforms taking place in Central and Eastern Europe.

71. The seminar generated a broad exchange of views and experiences covering such topics as the main elements of financial reporting, accounting issues relating to restructuring, privatization and the development of financial markets, the role of the accounting profession, and the standard-setting process and issues of harmonization of accounting standards in the East/West context.

72. Participants agreed that the legal and economic transformations under way in Central and Eastern Europe implied major reforms of the accounting systems in those countries if those accounting systems were to provide the information necessary for efficient decision-making in competitive market economies. Whereas the importance of adapting the systems to meet the requirements of transforming centrally planned economies to market oriented economies was recognized, the need to move cautiously in defining the reforms and the pace of their implementation was also stressed. A major difficulty with advising Central and Eastern European countries is that they had not yet fully resolved what type of market economy they would introduce.

73. The first opportunity to discuss issues relating to East/West accounting differences was valuable, especially in defining the need for further assistance to the economies in transition. The seminar also highlighted the need to draw lessons from experiences in the West, particularly, those relating to privatization. Technical assistance, particularly in the form of translation of international accounting standards into Central and Eastern European languages was offered by several of the international organizations present. Contacts between the Central and Eastern European countries and OECD would continue in order to identify specific accounting reform needs and how best to satisfy them. Publication of the proceedings of the seminar would take place in 1991.

74. A round table was organized in May 1990 to discuss issues relating to the mutual recognition of financial statements and intra-annual financial statements. In the latter area, the group is currently looking at the requirements to publish intra-annual financial statements, the period covered by those statements, whether they should be reviewed by an independent accountant and what information should be provided. Discussion on the mutual recognition of financial statements centred on the meaning of mutual recognition, what type of issuers should be included in any mutual recognition system, should there be recognition of full length prospectuses, what kind of review procedure was necessary, etc. Next spring, the group will consider a summary note on those topics and proposals for future work.

75. On the basis of a questionnaire on accounting for intangibles, the group is currently preparing a study to determine the accounting and reporting practices relevant to intangible assets in different OECD member countries. That work will be the subject of a special round table discussion scheduled for next spring.

76. Following the OECD Symposium on New Financial Instruments held in 1988, and the publication of the proceedings of that Symposium, the OECD organized a Special Session on New Financial Instruments to follow up on the main issues identified at the Symposium and to determine whether clarification of the guidelines was necessary in order to take account of the disclosure aspects of the new instruments. A report summarizing the discussions of the session was finalized in 1990 and will be published under the responsibility of the OECD Secretary-General.

77. In addition to the report on segmented financial information and the study on new financial instruments, the special session also published for general distribution "Disclosure of information by multinational enterprises: the 1989 survey", based on the 1987-1988 annual reports of a sample of multinational enterprises in different member countries.

F. Confederation of Asian and Pacific Accountants (CAPA)

78. Membership in the organization consists of 31 accountancy bodies from 22 countries. Recently admitted to CAPA are the two French bodies: Ordre des experts comptables et des comptables agrées and the Compagnie nationale des commissaires aux comptes. They represent France's interest in the South Pacific - i.e., Polynesia and New Caledonia.

79. The eight-course teaching resource materials for accounting technicians developed under a technical assistance grant from the Asian Development Bank have been completed and are ready for distribution. CAPA member bodies, international accounting organizations, the appropriate government agencies and educational institutions in the Asia and Pacific area will be the recipients of the teaching materials. As executing agency, CAPA enjoins all member bodies to use these materials actively and to benefit directly from the technical assistance.

80. CAPA is examining the viability of a regional accountancy resource centre. Continuing professional education, accounting technician training, developing accounting organizations and application of new technology in accounting education are seen as most likely activities of such a regional centre.

81. CAPA has begun planning for the thirteenth CAPA Conference, to be held in Vancouver in 1993.

G. Federation des experts comptables europeens (FEE)

82. Membership in the Federation consists of 34 accountancy bodies from 22 countries.

83. FEE's activities respond to the needs of the European accountancy profession as a whole, taking into account the work performed by the world-wide bodies of IFAC and IASC. Links are maintained with relevant non-accounting organizations, such as OECD, GATT and the United Nations. FEE is a major source of technical advice to the various institutions of the European Community, including the Commission, the European Parliament and the Economic and Social Committee.

84. During the period under review, FEE held its first conference in Brussels in October, under the general theme, "The European accountant - a professional at your service". It organized during February a seminar in Vevey, Switzerland, on the impact of the Uruguay Round services trade negotiations on the accountancy profession; hosted, also in February, a conference of EC government officials and representatives of the profession on the implementation of the directive on the mutual recognition of professional qualifications; and held, near Munich during April, a conference on performance measurement in public sector financial management.

85. The 1991 FEE Conference will take place in Venice, 10-13 October.

86. FEE also published its first survey of financial reporting in Europe, which was the main working document for a conference on the future of accounting harmonization in the EC, organized by the Commission in January. As a consequence of the conference, the Commission announced the creation of a European Financial Reporting Forum to advise it on accounting matters. FEE will be a member of the Forum, which will also group together national standard setters, preparers and users.

87. The dramatic developments in Central and Eastern Europe have led FEE to assist in the creation and development of professional accountancy bodies in the new emerging market economics.

H. Interamerican Accounting Association (IAA)

88. Membership consists of 28 sponsoring bodies in 23 countries.

89. During the period July 1989-July 1990, the IAA Directors met in Asuncion, during the XVIII Interamerican Conference, and nominated a new Executive Committee for the period 1990-1991. At the end of the XVIII Conference, the new Executive Committee held its first meeting and elected Miguel Angel Alarcon, from Paraguay, as President of IAA for the same period.

90. The XVIII Conference was held in Asuncion, Paraguay, from 25-29 September 1989, with the presence of about 750 participants. For the first time, an IAA Conference counted on the presence of the Presidents of IFAC, CAPA and FEE and the designated IASC Chairman.

91. IAA has held five Interamerican regional accounting seminars in different countries: Ecuador, Republica Dominicana, Honduras, Puerto Rico and Uruguay.

92. IAA, with the support of IFAC, has embarked on the translation and publication of international accounting standards and international auditing guidelines. IAA will distribute the translated standards and guidelines among member bodies.

93. IAA is promoting the profession among young students and the organization of Accounting Students Congresses as a response to the theme of the present year, "Year of youth and changes".

94. In order to improve the level of its affiliates and member bodies, IAA is trying to publish technical books and organize management courses.

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